

Message Text

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SUBJECT: COMMENTS ON SECRETARIAT'S FIRST DRAFT OF OECD
MINISTERIAL COMMUNIQUE

REF: (A) PARIS 18011; (B) PARIS 18236

1. FOLLOWING ARE USG COMMENTS ON DRAFT MINISTERIAL
COMMUNIQUE IN REF A. WHILE WE RECOGNIZE JUNE 9 MEETING
WILL NOT BE A DRAFTING SESSION, ANY PROGRESS MADE ALONG
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THE FOLLOWING LINES WILL REDUCE BURDEN ON LATER DRAFTING
EFFORTS.

2. IN GENERAL WE WOULD SUPPORT OPPOSITION LIKELY TO SURFACE
FROM OTHERS TO LANGUAGE ON CONCERTED ACTION WHICH GOES BE-
YOND EPC CHAIRMAN'S OUTLINE OF CONCLUSIONS. AGREEMENT ON
SPECIFICS IS NOT POSSIBLE AT THIS TIME AND THIS APPROACH

LIKELY TO BE COUNTERPRODUCTIVE. WE ARE ALSO CONCERNED THAT THE OVERLY PESSIMISTIC GLOBAL ASSESSMENT BE MADE MORE BALANCED. SPECIFIC COMMENTS FOLLOW.

3. PARA 2, FIRST SENTENCE, REPLACE "ON THE MAJOR COMPONENTS OF" WITH "ON THE OUTLINES OF." REPLACE SECOND SENTENCE BY "IT WAS ALSO AGREED THAT ACTIONS BY DIFFERENT MEMBERS WOULD NEED TO DIFFER ACCORDING TO THEIR INDIVIDUAL SITUATIONS."

RATIONALE: AS PREVIOUSLY EXPLAINED TO VAN LENNEP BY SCHULTZE, POLITICAL PROCESS IN SOME COUNTRIES HAS NOT PROGRESSED TO THE POINT THAT IT WILL BE POSSIBLE TO CONCLUDE AN AGREEMENT AT OECD MINISTERIAL.

4. PARA 4. REPLACE FIRST SENTENCE WITH "MINISTERS NOTED THAT DESPITE THE DIFFICULT CIRCUMSTANCES THERE HAS BEEN SOME IMPROVEMENT IN GLOBAL ECONOMIC CONDITIONS: GLOBAL RECESSION HAS BEEN REPLACED BY POSITIVE REAL GROWTH; SOME IMPORTANT PAYMENTS IMBALANCES HAVE BEEN ADJUSTED; THE RISE OF UNEMPLOYMENT HAS BEEN STIMMED IN MANY COUNTRIES AND SUBSTANTIALLY REVERSED IN A FEW; RATES OF INFLATION HAVE FALLEN IN VIRTUALLY ALL MEMBER COUNTRIES, AND INTERNATIONAL FINANCIAL MARKETS HAVE HELPED TO ALLEVIATE"... (REST SAME). RATIONALE: THE DRAFT COMMUNIQUE IGNORES PROGRESS WHICH IS TAKING PLACE. THIS INACCURATE AND OVERLY PESSIMISTIC ASSESSMENT CAN AFFECT CONFIDENCE IF IT IS ENDORSED AS PART LIMITED OFFICIAL USE

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OF THE COMMUNIQUE. IN ADDITION, SUBSTITUTE "EPISODES OF DISORDERLY EXCHANGE MARKET CONDITIONS" FOR "DISTURBED INTERNATIONAL MONETARY CONDITIONS" IN SECOND SENTENCE. RATIONALE: MARKETS HAVE NOT BEEN DISORDERLY THROUGHOUT PAST SEVERAL YEARS AND ARE NOT DISORDERLY AT THIS TIME.

5. PARA 5. 2ND TICK. ADD "AND FOR EXPORT SUBSIDIES" FOLLOWING "FOREIGN COMPETITION."

6. PARA 6. DELETE PORTION OF FIRST SENTENCE READING "WHICH A NUMBER OF COUNTRIES HAVE FOUND GREATER THAN EN-VISAGED EARLIER." RATIONALE: THIS IS A NON-SEQUITUR AND IS HIGHLY SUPPOSITIONAL AS WELL. REFERENCE TO "GENERAL LACK OF CONFIDENCE" IS TOO STRONG. REPLACE "LOW PROFITS" WITH "LOW RATES OF CAPACITY UTILIZATION." REPLACE "THE ADVERSE ... EXPECTATIONS" WITH "INSTITUTIONAL CONSTRAINTS ON THE SIZE OF GOVERNMENT BUDGET DEFICITS." REPLACE "CONTRIBUTED ... CONFIDENCE" WITH "PREVENTED GOVERNMENTS FROM ACTING EFFECTIVELY TO ACHIEVE MORE ADEQUATE RATES OF ECONOMIC GROWTH. SLOW GROWTH HAS INCREASED UNEMPLOYMENT, REDUCED CAPACITY UTILIZATION AND PROFIT RATES, AND DEPRESSED INVESTORS' CONFIDENCE." REPLACE "TO THE STIMULUS ...

DEFICITS." WITH "AT THIS STAGE OF THE RECOVERY."

7. PARA 8. SECOND TICK. ADD FOLLOWING AT END "AND WILL PROVIDE ON ENVIRONMENT OF GROWING WORLD TRADE, WITH BENEFICIAL EFFECTS ON INVESTMENT PROSPECTS.

8. PARA 10. REPLACE FIRST SENTENCE BY "MINISTERS AGREED ON THE OUTLINES OF A PROGRAM OF CONCERTED ACTION ON THE FOLLOWING LINES:" RATIONALE: SEE PARA (1) ABOVE.

9. PARA 11. BEGIN FIRST SENTENCE "MINISTERS AGREED ON THE DESIRABILITY OF MEMBER COUNTRIES CONTRIBUTING TO ..." RATIONALE: IT IS NOT DESIRABLE TO GIVE THE IMPRESSION OF TOO GREAT SPECIFICITY, WHICH COULD BE COUNTERPRODUCTIVE. LIMITED OFFICIAL USE

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DELETE LAST PHRASE OF LAST SENTENCE IN FIRST SUBPARAGRAPH REFERRING TO COUNTRIES IN STRONG PAYMENTS POSITIONS. RATIONALE: WE WANT TO AVOID INSULTING GERMAN/JAPANESE. WE NEED NOT TAKE LEAD, BUT SHOULD SUPPORT OTHER OBJECTIONS.

10. PARA 12. DELETE COMPLETELY. RATIONALE: THE EPC/WP-2 HAVE REJECTED THESE RESULTS AS MECHANISTIC AND UNSATISFACTORY AS A BASIS FOR POLICY FORMULATION. THEY SHOULD NOT BE READMITTED BY THE BACK DOOR. THERE IS NO POSSIBILITY THAT MINISTERS WILL AGREE TO THIS PARAGRAPH AND ITS INCLUSION IN THE SECRETARIAT DRAFT WILL MERELY PROVIDE GRIST FOR PRESS EFFORTS TO HIGHLIGHT DISAGREEMENT AND PORTRAY REJECTION OF THE BASIC APPROACH. INSERT FOLLOWING SENTENCE TO PARA 12 SLOT: "MINISTERS AGREED THAT EPC SHOULD CLOSELY FOLLOW DEVELOPMENTS ON POLICY FRONT AND CHANGES IN ECONOMIC CONDITIONS TO EVALUATE EVOLUTION OF CHANGING NEAR AND MEDIUM TERM OUTLOOK."

11. PARA 14 II. DELETE "AND RELIABLE" BECAUSE THIS COULD IMPLY EXPORT SUPPLY GUARANTEES.

12. PARA 15. REPLACE "ADOPT ... POLICY" WITH "COMPLETE THE ADOPTION OF A COMPREHENSIVE ENERGY POLICY" DELETE "AND ... EXCHANGE MARKETS." NEXT-TO-LAST LINE, STRIKE "MANY OF."

13. PARA 16, SECOND SENTENCE: DELETE SPECIFIC REFERENCE TO "MONETARY POLICY." SENTENCE SHOULD BEGIN "MINISTERS AGREED THAT WHILE EXCHANGE RATES MUST BE ALLOWED TO RESPOND TO CHANGES IN UNDERLYING CONDITIONS" AND CONTINUE AS PER TEXT. ALTERNATIVELY, FINAL SENTENCE SHOULD REFER TO "POLICIES DEALING WITH THE FUNDAMENTALS, RATHER THAN "THESE POLICIES." RATIONALE: THE PARA AS WRITTEN PLACES EXCESSIVE EMPHASIS ON MONETARY AND INTERVENTION POLICY, TO THE NEGLECT LIMITED OFFICIAL USE

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OF THE "FUNDAMENTALS." IT MUST BE CRYSTAL CLEAR THAT THE REFERENCE TO "THESE POLICIES" REFERS BACK TO THE PACKAGE OF BASIC POLICIES DISCUSSED IN EARLIER PARAGRAPHS. CHANGE LAST CLAUSE AT END OF FIRST SENTENCE TO POSITIVE TONE: "BRING ABOUT BETTER PATTERN OF CURRENT ACCOUNT BALANCES AND REDUCE DISORDER IN EXCHANGE MARKETS."

14. PARA 19, FIRST SENTENCE. DELETE "THEREFORE."
RATIONALE: INCLUSION SUGGESTS THAT CONCLUSION OF PARA IS CONTINGENT UPON PREVIOUS PARA.

15. PARA 20, FIRST SENTENCE. DELETE PORTION BEGINNING WITH "WOULD GRADUALLY ASSUME...;" REPLACE WITH "WOULD BEGIN TO UNDERTAKE POLICIES AIMED AT FULLY INTEGRATING THEIR ECONOMIES WITH THE WORLD ECONOMY." RATIONALE: LANGUAGE AS WRITTEN IS TOO OBTUSE.

16. NORTH/SOUTH. PARA 21 SHOULD BE CHANGED IN FIRST SENTENCE FROM " ... ESPECIALLY IN SECTORS ETC." TO " ... POSSIBLY CONCENTRATING IN SECTORS SUCH AS ETC.". THIRD SENTENCE SHOULD INSTRUCT ORGANIZATION TO "STUDY UTILITY AND FEASIBILITY" MORE COMPREHENSIVE MEASURES FOR INCREASED INVESTMENT FLOWS IN SUCH SECTORS.

17. PARA 22 FIRST SENTENCE SHOULD CLARIFY MEANING OF WORDS "STRICT NEEDS OF INTERDEPENDENCE". CONTENTIOUS PHRASE "AND GROWING DISPARITY OF AID EFFORT AMONG DAC MEMBERS" SHOULD BE DROPPED.

18. TREATMENT OF NORTH/SOUTH; IS NOTABLE FOR ITS PESSIMISM ESPECIALLY ABOUT OECD MEMBER PERFORMANCE. AS WE HAVE NOTED EARLIER (STATE 141948) WE BELIEVE MINISTERIAL DOCUMENTS SHOULD REFER TO POSITIVE ACTIONS IN LAST YEAR SUCH AS INCREASED APPROPRIATIONS AND MULTILATERAL DEVELOPMENT BANK REPLENISHMENTS AS WELL AS TO RENEWED STATEMENT OF INTENTIONS. IN ANY EVENT, COMMUNIQUE SHOULD REFER TO PROGRESS IN UNCTAD,
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NOTABLY AT TDB DEBT MEETING, AND TO USEFUL DIALOGUE BEGUN AT UN COMMITTEE OF WHOLE MEETING IN MAY WHICH WE HOPE WILL EVOLVE FURTHER IN COMING SESSIONS.

19. FYI. IN TALKING TO YOUR COLLEAGUES ABOUT THE DRAFT COMMUNIQUE AND IN PREPARING OTHERWISE FOR THE OECD MINISTERIAL MEETING, YOU SHOULD BEAR IN MIND OUR DESIRE TO HAVE A FRUIT-

FUL DISCUSSION OF THE INTER-RELATED AGENDA ITEMS WHILE
AVOIDING PRE-EMPTION OF THE ACTION PACKAGE WE HOPE WILL
COME OUT OF THE BONN SUMMIT. OUR PREFERENCE THEREFORE IS
FOR LESS SPECIFICITY ON ACTION INDIVIDUAL COUNTRIES SHOULD
TAKE, AS INDICATED BY SPECIFIC CHANGES SUGGESTED ABOVE.
YOU SHOULD LEAN CONSISTENTLY IN THIS DIRECTION AND SHOULD
GO ALONG WITH AND, TO THE EXTENT NECESSARY TO ATTAIN
DESIRED RESULTS, SUPPORT EFFORTS BY OTHER OECD COUNTRIES
TO FIND MORE GENERAL LANGUAGE SO THAT THE BONN SUMMIT NOT
APPEAR MERELY TO REPEAT WHAT HAD ALREADY BEEN AGREED AT
THE OECD MINISTERIAL. END FYI. VANCE

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